

Milk Pricing

NEWSLETTER

Dairy Marketing Branch, CDFA

May 2003

Commodity Prices Remain Sluggish . . .

The minimum price of milk, established by the Department each month, is the price that dairy processors must pay for milk used to produce dairy products. National commodity prices, primarily butter, Cheddar cheese, and nonfat dry milk, are significant factors in determining the minimum milk price (See *national commodities prices chart on page 2*).

The national commodity prices for butter, nonfat dry milk, and Cheddar cheese continued to remain fairly flat. Compared to April, all types of milk showed slight gallon price increases due to a small increase in the commodity cheese price: whole milk increased five tenths of a cent per gallon, reduced fat milk increased seven tenths of a cent per gallon, lowfat milk increased eight tenths of a cent per gallon, and skim milk increased seven tenths of a cent per gallon.

All commodity prices continue to hover near their federal support purchase price. Milk production continues to increase and is still outpacing commercial use. Beverage milk sales have been strong, but June brings the school vacation season where more milk will be diverted to other dairy products. Butter, Cheddar cheese, and nonfat dry milk inventories still remain high. Favorable weather conditions in California have dairy producers reporting increased milk production per cow, but the demand for dairy products remains low. The sluggish economy has not helped the demand for dairy products to rebound.

The table below shows individual prices for the four types of fluid milk by container size and the price changes from the previous month. The prices listed represent the minimum price paid by processors for the milk only - no other processing costs are included.

Minimum Prices for the Four Types of Fluid Milk by Container Size for June 2003

Northern California	Gallon	1/2 Gallon	Quart	Pint	1/3 Quart	1/2 Pint
Whole Milk	\$1.014	\$0.507	\$0.253	\$0.127	\$0.084	\$0.063
Reduced Fat (2%)	\$0.943	\$0.472	\$0.236	\$0.118	\$0.079	\$0.059
Lowfat (1%)	\$0.904	\$0.452	\$0.226	\$0.113	\$0.075	\$0.056
Nonfat (Skim)	\$0.691	\$0.345	\$0.173	\$0.086	\$0.058	\$0.043

Southern California	Gallon	1/2 Gallon	Quart	Pint	1/3 Quart	1/2 Pint
Whole Milk	\$1.037	\$0.519	\$0.259	\$0.130	\$0.086	\$0.065
Reduced Fat (2%)	\$0.967	\$0.483	\$0.242	\$0.121	\$0.081	\$0.060
Lowfat (1%)	\$0.928	\$0.464	\$0.232	\$0.116	\$0.077	\$0.058
Nonfat (Skim)	\$0.715	\$0.358	\$0.179	\$0.089	\$0.060	\$0.045

Price Changes from the Previous Pricing Period

	Gallon	1/2 Gallon	Quart	Pint	1/3 Quart	1/2 Pint
Whole Milk	\$0.005	\$0.003	\$0.001	\$0.001	\$0.000	\$0.000
Reduced Fat (2%)	\$0.007	\$0.003	\$0.002	\$0.001	\$0.001	\$0.000
Lowfat (1%)	\$0.008	\$0.004	\$0.002	\$0.001	\$0.001	\$0.000
Nonfat (Skim)	\$0.007	\$0.003	\$0.002	\$0.001	\$0.001	\$0.000

California Department of Food and Agriculture (CDFA)

William (Bill) J. Lyons Jr., Secretary

Price Information Lines: (800) 503-3490 within California; (916) 442-MILK outside California
Phone (916) 341-5988; Website: www.cdfa.ca.gov/dairy; email address: dairy@cdfa.ca.gov

Minimum Prices for the Milk Component of Various Manufactured Dairy Products

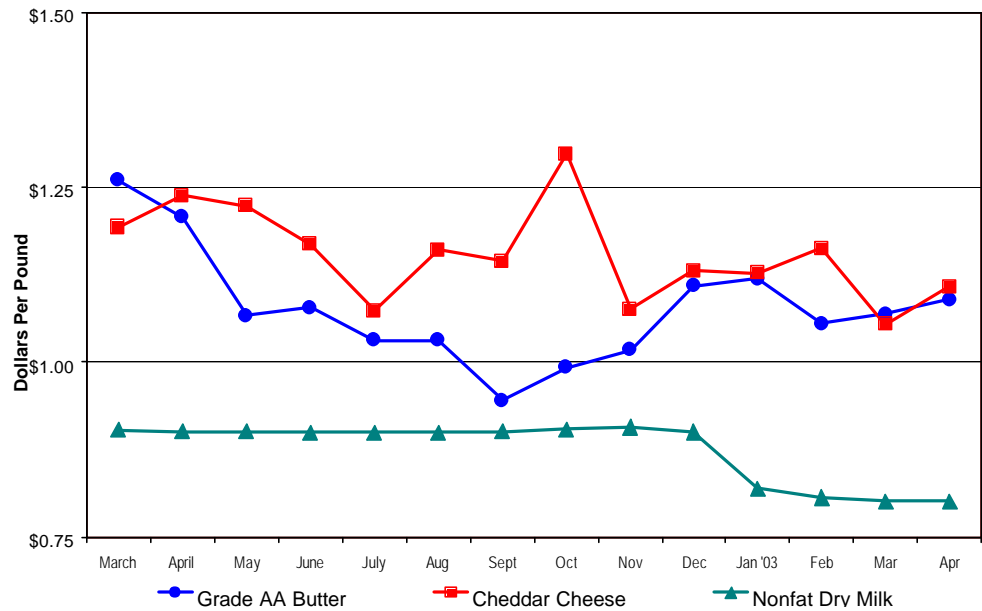
The minimum prices for the raw milk component used by processors in manufacturing dairy products are listed in the table to the right. No other costs incurred by the processor are included, such as:

- milk quality premiums,
- milk composition premiums,
- competitiveness for availability of milk premiums,
- transportation costs,
- plant processing costs,
- service charges
- marketing costs

	Lowfat Yogurt (\$/quart)	Super- Premium Ice Cream (\$/ 1/2 gal)	Generic Ice Cream (\$/ 1/2 gal)
Aug	\$0.20	\$1.09	\$0.43
Sept	\$0.20	\$1.09	\$0.43
Oct.	\$0.20	\$1.05	\$0.41
Nov	\$0.20	\$1.05	\$0.41
Dec	\$0.20	\$1.09	\$0.43
Jan '03	\$0.20	\$1.09	\$0.43
Feb	\$0.18	\$1.12	\$0.43
Mar	\$0.18	\$1.12	\$0.43
Apr	\$0.18	\$1.07	\$0.41
May	\$0.18	\$1.07	\$0.41

National Commodity Prices for March 2002 - April 2003

Grade AA Butter,
Block Cheddar Cheese,
and Nonfat Dry Milk



California Department of Food and Agriculture
Dairy Marketing Branch
1220 N Street
Sacramento, CA 95814



First Class Mail
U.S. Postage
PAID
Permit No. 81
Sacramento, CA